

**WATER AND SEWER FUND
WATER AND SEWER REVENUES**

	Actual FY 2003-04	Adopted FY 2004-05	Estimated FY 2004-05	Adopted FY 2005-06	Change
Investment & Rental Income					
Interest: Investments and Assess.	\$ 197,391	\$ 2,096,650	\$ 1,331,322	\$ 2,295,310	9.5%
Rental Income	198,591	200,000	195,798	200,000	0.0%
Total Investment & Rental Income	\$ 395,982	\$ 2,296,650	\$ 1,527,120	\$ 2,495,310	8.6%
Operating Revenue					
Water & Sewer Sales					
Water & Sewer Sales	\$ 42,652,631	\$ 46,717,097	\$ 48,065,437	\$ 47,798,990	2.3%
Contract Water Sales	-	10,981	9,010	10,981	0.0%
Late Fees	60,785	63,036	72,772	70,000	11.0%
Industrial Monitoring	9,183	14,106	14,840	15,000	6.3%
Sewer Surcharge	132,864	142,226	96,906	135,000	-5.1%
Suspended Solids	7,151	8,323	3,518	8,490	2.0%
Subtotal	\$ 42,862,614	\$ 46,955,769	\$ 48,262,483	\$ 48,038,461	2.3%
Other Operating Revenues					
Septic Tank Disposal	\$ 49,460	\$ 64,505	\$ 43,920	\$ 50,000	-22.5%
Fire Protection (City)	180,030	173,868	176,868	180,405	3.8%
Fire Protection (County)	22,620	24,970	450	25,469	2.0%
Water Connection Fees	361,958	357,000	375,605	364,140	2.0%
Sewer Connection Fees	201,683	234,600	210,020	220,000	-6.2%
Engineering Inspection Fee	332,140	205,000	283,882	261,000	27.3%
Backflow Certification School	8,320	6,242	8,700	8,700	39.4%
Subtotal	\$ 1,156,211	\$ 1,066,185	\$ 1,099,445	\$ 1,109,714	4.1%
Licenses and Permits					
Cross Connection Control Permit	\$ -	\$ 6,242	\$ -	\$ 6,367	2.0%
Water Permits	19,800	20,400	27,400	27,500	34.8%
Sewer Permits	22,000	30,600	29,000	32,500	6.2%
Subtotal	\$ 41,800	\$ 57,242	\$ 56,400	\$ 66,367	15.9%
Total Operating	\$ 44,060,625	\$ 48,079,196	\$ 49,418,328	\$ 49,214,542	2.4%
Intragovernmental Services					
Construction-City Forces	\$ -	\$ -	\$ 9,752	\$ -	-
Engineering Fees	168,345	305,000	-	305,000	0.0%
Total Intragovernmental Services	\$ 168,345	\$ 305,000	\$ 9,752	\$ 305,000	0.0%
Other Revenues					
Sale of Property	\$ 59,439	\$ -	\$ -	\$ -	-
Miscellaneous	43,883	35,020	40,390	44,000	25.6%
Water Frontage Fees/Assessments	429,978	612,240	583,542	612,485	0.0%
Sewer Frontage Fees/Assessments	743,733	816,320	803,801	816,646	0.0%
Total Other Revenues	\$ 1,277,033	\$ 1,463,580	\$ 1,427,733	\$ 1,473,131	0.7%
Transfers from Other Funds					
Water Capital Facilities Fees	\$ 2,811,353	\$ 2,642,816	\$ 2,642,816	\$ 2,743,050	3.8%
Sewer Capital Facilities Fees	1,663,177	1,557,863	1,557,863	1,718,378	10.3%
Storm Water Management	566,991	605,324	605,324	275,000	-54.6%
Certificate of Participation (COPS)	-	-	-	550,000	-
Transfer from Reserves	-	-	-	-	-
Total Transfers from Other Funds	\$ 5,041,521	\$ 4,806,003	\$ 4,806,003	\$ 5,286,428	10.0%
Appropriation from Fund Balance	\$ -	\$ 2,500,000	\$ 2,500,000	\$ 5,000,000	100.0%
TOTAL W & S FUND REVENUES	\$ 50,943,506	\$ 59,450,429	\$ 59,688,936	\$ 63,774,411	7.3%

WATER AND SEWER FUND

REVENUE AND APPROPRIATION SUMMARY

	Actual FY 2003-04	Adopted FY 2004-05	Estimated FY 2004-05	Adopted FY 2005-06	Change
REVENUES					
Investment and Rental Income	\$ 395,982	\$ 2,296,650	\$ 1,527,120	\$ 2,495,310	8.6%
Water and Sewer Sales	42,862,614	46,955,769	48,262,483	48,038,461	2.3%
Other Operating Revenue	1,156,211	1,066,185	1,099,445	1,109,714	4.1%
Licenses and Permits	41,800	57,242	56,400	66,367	15.9%
Intragovernmental Revenues	168,345	305,000	9,752	305,000	0.0%
Frontage Fees/Assessments	1,173,711	1,428,560	1,387,343	1,429,131	0.0%
Other	103,322	35,020	40,390	44,000	25.6%
Transfer from Other Funds	5,041,521	4,806,003	4,806,003	5,286,428	10.0%
Subtotal Revenues	\$ 50,943,506	\$ 56,950,429	\$ 57,188,936	\$ 58,774,411	3.2%
Appropriations from Fund Balance	-	2,500,000	2,500,000	5,000,000	-
TOTAL REVENUES	\$ 50,943,506	\$ 59,450,429	\$ 59,688,936	\$ 63,774,411	7.3%
APPROPRIATIONS					
Personal Services	\$ 13,890,859	\$ 15,261,949	\$ 14,869,037	\$ 16,251,136	6.5%
Operating	17,214,688	19,155,818	20,412,718	19,827,558	3.5%
Capital Outlay	450,437	756,575	787,554	1,149,771	52.0%
Debt Service	15,095,648	16,293,405	16,432,874	16,042,261	-1.5%
Reserve for Capital Improvements	-	1,526,084	-	1,547,087	1.4%
Transfers to Other Funds	2,000,000	4,956,598	6,093,070	7,456,598	50.4%
Transfers to Fund Balance	2,291,874	1,500,000	1,093,683	1,500,000	0.0%
TOTAL APPROPRIATIONS	\$ 50,943,506	\$ 59,450,429	\$ 59,688,936	\$ 63,774,411	7.3%
Department Appropriations					
Water Management	\$ 15,893,634	\$ 27,197,243	\$ 27,933,327	\$ 28,414,326	4.5%
Public Works	8,185,023	1,809,309	1,509,025	1,840,051	1.7%
Finance	1,524,698	244,325	247,436	246,935	1.1%
Subtotal	\$ 25,603,355	\$ 29,250,877	\$ 29,689,788	\$ 30,501,312	4.3%
Nondepartmental Appropriations	25,340,151	30,199,552	29,999,148	33,273,099	10.2%
Total Appropriations	\$ 50,943,506	\$ 59,450,429	\$ 59,688,936	\$ 63,774,411	7.3%

FUND DESCRIPTION

The Water and Sewer Fund accounts for revenues and expenses related to the provision of water and sewer services to the customers of the City and adjacent areas.

WATER AND SEWER FUND REVENUE DESCRIPTIONS

Investment and Rental Income

Interest: Investment - Investment income is gained through the commitment of City funds to investment instruments allowed by State Statute.

Interest: Assessments - Interest is charged on water and sewer assessments.

Rental Income - The City owns property and houses, purchased for other purposes with Water and Sewer Fund monies, which are temporarily rented. This also includes revenue from cellular tower leases.

Operating Revenues

Water and Sewer Sales - Water and Sewer Sales includes both consumption and service fee charges to all direct water and sewer customers, inside and outside the City. It does not include contractual water sales to other utilities. A rate increase for water and sewer service charges and the sewer consumption charge is included in the FY 2005-06 budget. This rate increase is projected to be 2.46% on the average residential customer which would equate to a \$1.90 increase on the bi-monthly billing.

Contract Water Sales - The City has entered into agreements with several neighboring utility systems to provide water on a non-committed (emergency) basis.

Industrial Monitoring Charge - The Environmental Protection Agency requires the recovery of costs incurred in monitoring potentially high strength and toxic wastes. The rate schedule is based on the types of tests required. The base charge of \$55 per sample covers administration and equipment set-up costs.

Sewer Surcharges - Surcharges on high strength waste will remain at \$151.81 per 1,000 pounds of biochemical oxygen demand.

Suspended Solids - Charges on suspended solids will remain at \$64.37 per 1,000 pounds.

Other Operating Revenues

Septic Tank Disposal - Charges for truckloads of septic waste discharged at the North Durham Water Reclamation Facility will remain at \$40 per load.

Fire Protection (City Hydrants) - Monthly charges are made to the Fire Department for each hydrant on the City's water system.

Fire Protection (County Hydrants) - Monthly charges are made to the County for each hydrant on the City's water system outside the city limits.

Water and Sewer Line Connection Fees - Fees are charged at the time of initial connection onto water and sewer mains. This fee varies with the size of the connection.

Water Analysis Fee - This fee provides for the partial recovery of costs incurred in monitoring the water quality of new construction and existing facilities undergoing extensive plumbing repairs. Citizens could also request water quality analyses. Revenue ceased in FY 2001 because the City no longer tests all new homes and the charge for re-sampling has been eliminated.

Engineering Inspection Fees - The Water and Sewer Engineering division charges fees for water main, sewer main, and sewer outfall inspections.

Backflow Tester School - The Water Resources Department offers certification classes for backflow testers. An enrollment fee is charged for each participant in the school.

Licenses and Permits

Cross Connection Control (CCC) Permit - This was a new fee for FY 1999-00. It is \$32 per permit, and will partially recover the cost of the inspection of CCC devices.

Water and Sewer Permit Fees - These fees are paid by developers and the City for permits to extend water and sewer lines.

Intragovernmental Services

Construction - City Forces - This item represents charges made to bond and construction funds for water and sewer construction performed by City employees. This line item also includes overhead charges, equipment rental charges, and fringe benefits charges. These charges occur as a result of street maintenance work performed by City employees.

Engineering Fees - This item represents charges made to bond and construction funds for water and sewer engineering work performed by City employees.

Other Revenues

Sale of Land, Property and Equipment - This includes revenue from the sale of surplus land, equipment or property.

Miscellaneous - This item includes revenues from broken water meter charges, water cut-off penalties, and after-hours service charges.

Water and Sewer Frontage Fees/Assessments - Frontage Fees are applicable when property is developed and the developer or property owner has not installed a water and/or sewer line across the street frontage or street right-of-way abutting the project. This item reflects confirmations of water and sewer assessment rolls.

Transfers from Other Funds

Water and Sewer Capital Facilities Fund - The Capital Facility Fee was established in 1985 to recover the costs associated with providing water supply, water treatment and wastewater treatment to new water and sewer service customers. This revenue is now shown as a transfer to the Water and Sewer Operating Fund to offset debt service cost. The last adjustment to these fees was in FY 2004-05 when Water Capital Facility fees were increased by \$200 per meter size to begin addressing a long-range automated meter reading program.

Storm Water Management - This transfer covers the costs incurred by Customer Billing and Services for storm water billing expenditures and by Water Management for one-half of the Household Hazardous Waste Disposal program.

Appropriation from Fund Balance - An appropriation from fund balance is used to balance the budget when expenditures are anticipated to exceed revenues in a given year.

WATER AND SEWER NON-DEPARTMENTAL APPROPRIATIONS

	Actual FY 2003-04	Adopted FY 2004-05	Estimated FY 2004-05	Adopted FY 2005-06	Change
Administration					
General Fund Services	\$ 4,406,000	\$ 4,584,598	\$ 4,584,598	\$ 4,639,598	1.2%
Insurance and Risk	1,240,000	1,185,504	1,185,504	1,280,395	8.0%
Recovery of Past Due Accounts	-	-	40	50,000	-
Collection of Delinquent Accounts	208,000	208,000	208,000	208,000	0.0%
Merit/Market Salary Adjustment	-	-	-	661,766	0.0%
Drug Testing	30,841	25,000	32,014	32,000	28.0%
Bond Issue Costs	-	5,000	-	5,000	0.0%
Total Administration	\$ 5,884,841	\$ 6,008,102	\$ 6,010,156	\$ 6,876,759	14.5%
Miscellaneous					
Contingency	\$ -	\$ 50,000	\$ 29,884	\$ 50,000	0.0%
Hardship Funds	46,437	50,000	72,520	75,000	50.0%
Fleet Replacement	244,441	256,961	256,961	166,992	-35.0%
Water/Sewer Customer Relations	(1,090)	15,000	10,000	15,000	0.0%
Total Miscellaneous	\$ 289,788	\$ 371,961	\$ 369,365	\$ 306,992	-17.5%
Debt Service and Capital					
Debt Service	\$ 13,585,201	\$ 15,793,405	\$ 15,808,405	\$ 15,542,261	-1.6%
County Line Reimbursement	1,510,447	500,000	624,469	500,000	0.0%
Reserve for Capital Improvements	-	1,526,084	-	1,547,087	1.4%
Capital Improvements Program	1,778,000	4,500,000	6,093,070	7,000,000	55.6%
Total Debt and Capital	\$ 16,873,648	\$ 22,319,489	\$ 22,525,944	\$ 24,589,348	10.2%
Appropriation to Fund Balance	\$ 2,291,874	\$ 1,500,000	\$ 1,093,683	\$ 1,500,000	0.0%
TOTAL NON-DEPARTMENTAL	\$ 25,340,151	\$ 30,199,552	\$ 29,999,148	\$ 33,273,099	10.2%

WATER AND SEWER FUND NON-DEPARTMENTAL APPROPRIATIONS

Administration

General Fund Services - Funds are appropriated each year to reimburse the General Fund for services provided to the Water and Sewer Fund. Also included are costs for services provided by the Budget and Management Services Department.

Risk Retention Fund and General Insurance - Each fund pays a proportionate share of expected liability and workers' compensation claims obligations, as well as a share of general insurance, safety and health costs.

Accounts Written Off - Funds are appropriated to offset the amount of funds that the City is unable to collect. Since this cost is recorded as an offset against revenues, this line item will no longer be needed.

Collection of Delinquent Accounts - These funds are appropriated to cover the cost of collecting delinquent accounts.

Drug Testing - This account covers the cost of drug testing for all new Water and Sewer Fund employees, as required by City policy.

Bond Issuance Expense - Funds are appropriated to cover the cost of issuing Revenue Bonds and GO Bonds.

Miscellaneous

Contingency - These funds are expended upon City Council approval for various unanticipated costs that arise during the fiscal year which are unforeseen during the budget preparation process.

Hardship Funds - Funds are provided to pay water and sewer bills if a customer is found to be unable to pay under established guidelines.

Fleet Replacement - Costs associated with the replacement of the centralized fleet used by Water and Sewer Fund-related departments are recorded here.

Water and Sewer Customer Relations - Funds cover various customer relations activities such as printing customer handbooks, and documents for customer education and information.

Debt Service/Capital Improvements

Debt Service - Debt service for water and sewer projects is paid directly from the Water and Sewer Operating Fund.

County Line Reimbursement - The City reimburses the County for water and sewer line installations within designated areas of the County.

Capital Improvement Program Appropriations

Water and Sewer operating funds are appropriated to the CIP to address specific critical capital maintenance needs. Projects for FY 2005-06 include Lake Michie Dam Repairs \$520,000, automation systems upgrades to North Durham and South Durham Water Reclamation Facilities \$1,525,000, Sewer Extensions and Improvements \$750,000, Water Extensions and Improvements \$600,000, Sludge Pad Cover for South Durham Water Reclamation Facility \$1,000,000, Sewer Rehabilitation \$2,237,000 and Phase 2 of the Teer Quarry Raw Water Storage Project \$368,000. \$5 million from the Water and Sewer fund balance is budgeted as a transfer to the CIP. This additional funding combined with \$2 million from the Water and Sewer operating fund will provide for the CIP projects. The CIP process has identified \$281 million in potential projects over the next six years. It is anticipated that a combination of General Obligation Bonds (if approved) and Revenue Bonds will be issued to provide for those future projects approved for funding.